A man and a woman validly formed a partnership ("Garden Partnership") to fix commercial gardening equipment. Several months after Garden Partnership began operations, it hired an employee who was a skilled mechanic.

The employee negligently repaired a piece of equipment for a customer. As a result, the customer was severely injured. The customer successfully sued Garden Partnership and recovered a judgment for $500,000, which has not been paid.

Shortly after entry of this judgment, the man and woman took the necessary steps to qualify Garden Partnership as a limited liability partnership, and they renamed it "Garden LLP."

Shortly thereafter, the man and woman decided to expand the business. Because they needed more capital, they agreed to admit an investor as a partner. The investor contributed $50,000 and became a partner in Garden LLP.

1. Is Garden LLP liable for the $500,000 judgment against Garden Partnership? Explain.

2. Are the man and woman personally liable to the customer for the $500,000 judgment against Garden Partnership? Explain.

3. Is the investor personally liable to the customer for the $500,000 judgment against Garden Partnership? Explain.

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Question Presented

A man and a woman run Garden Partnership, a general partnership that repairs gardening equipment. Their employee negligently repairs a machine and injures a customer, who obtains an unpaid $500,000 judgment against Garden Partnership.

← employee's tort in the course of business = the partnership's (entity) liability

After the judgment, the man and woman qualify the firm as a limited liability partnership, renaming it Garden LLP.

← the LLP shield covers only obligations incurred WHILE an LLP; this one predates it

They then admit an investor, who contributes $50,000 and becomes a partner in Garden LLP.

← an incoming partner is not liable for pre-admission debts; only the contribution is at risk

Questions: (1) is Garden LLP liable for the judgment; (2) are the man and woman personally liable; (3) is the investor personally liable?

← entity continuity; timing of the shield; incoming-partner rule

Issue 1: Entity Continuity of the LLP

Issue. Whether Garden LLP is liable for the judgment entered against Garden Partnership.

Question 1.

Rule. G/R: A partnership is an entity distinct from its partners, and it is liable for torts a partner or employee commits in the ordinary course of business. Qualifying as an LLP does not create a new partnership; the same entity continues and keeps all of its existing obligations.

same entity before and after filing

Analysis. Here, the employee's negligent repair occurred in the ordinary course of the repair business, so the judgment was the partnership entity's obligation. Filing the statement of qualification changed only the firm's liability shield, not its identity, so Garden LLP is the same entity that owes the judgment.

vicarious liability + continuity

Conclusion. Therefore, Garden LLP is liable for the $500,000 judgment.

answer to Question 1

Issue 2: Personal Liability of the Original Partners

Issue. Whether the man and woman are personally liable for the judgment.

Question 2.

Rule. G/R: Partners in a general partnership are jointly and severally liable for the partnership's obligations. An LLP shield makes obligations solely the partnership's only for obligations incurred while the partnership is an LLP; obligations incurred before qualification remain the partners' personal, joint-and-several liability.

shield reaches forward, not backward

Analysis. Here, the tort, the judgment, and thus the obligation all arose before Garden Partnership qualified as an LLP. The later shield does not reach back to a pre-qualification obligation, so the man and woman remain personally, jointly and severally liable.

obligation predates the LLP

Conclusion. Therefore, the man and woman are personally liable for the $500,000.

answer to Question 2

Issue 3: Liability of the Incoming Partner

Issue. Whether the investor, admitted after the judgment, is personally liable for it.

Question 3.

Rule. G/R: A person admitted as a partner is not personally liable for partnership obligations incurred before the person's admission; that earlier-liability exposure is limited to the partnership property, meaning the capital the incoming partner contributed.

incoming partner shielded personally

Analysis. Here, the obligation arose before the investor joined, so the investor has no personal liability; at most the $50,000 contributed to the firm is exposed to partnership creditors. The LLP shield protects the investor as well.

only the contribution is at risk

Conclusion. Therefore, the investor is not personally liable for the judgment.

answer to Question 3

Step-by-Step: Who Pays the Pre-LLP Judgment

Trace when the obligation arose against each party's liability shield.

1. **Is the LLP the same entity as the old partnership?**
   → Yes: qualification creates no new entity; it keeps all obligations. **LLP liable**

↓

2. Were the founders' obligations incurred before the shield?

→ Yes: a pre-qualification tort = joint and several personal liability. **man & woman liable**

↓

3. Did the investor join before or after the obligation?

→ After: no personal liability for pre-admission debts; only the $50,000 is at risk. **investor not liable**